

**SSR DEGREE COLLEGE (AUTONOMOUS) NIZAMABAD**  
**II- SEMESTER INTERNAL ASSESSMENT – II EXAMINATIONS**  
**BBA FINANCIAL ACCOUNTING**  
**QUESTION BANK**

**I. Multiple Choice**

1. Accrual accounting recognizes revenue when it is:

- A. Received in cash
- B. Earned
- C. Paid in advance
- D. Recorded in bank

Answer: B

2. The matching concept requires that:

- A. Assets be matched with liabilities
- B. Income be matched with cash
- C. Expenses be matched with related revenues
- D. Revenue be matched with capital

Answer: C

3. Expenses paid in advance but not yet incurred are called:

- A. Outstanding expenses
- B. Accrued expenses
- C. Prepaid expenses
- D. Deferred income

Answer: C

4. Income earned but not yet received is known as:

- A. Unearned income
- B. Prepaid income
- C. Accrued income
- D. Deferred expense

Answer: C

5. Depreciation is charged to:

- A. Increase asset value
- B. Provide for replacement

- C. Allocate cost of asset over its useful life
- D. Show market value

Answer: C

6. Bad debts represent:
- A. Money receivable
  - B. Loss due to non-recovery of debts
  - C. Capital expenditure
  - D. Provision for discount

Answer: B

7. Trading Account is prepared to ascertain:
- A. Net profit
  - B. Gross profit or gross loss
  - C. Operating profit
  - D. Cash balance

Answer: B

8. Which of the following appears on the debit side of the Trading Account?
- A. Sales
  - B. Closing stock
  - C. Purchases
  - D. Commission received

Answer: C

9. Net profit is transferred to:
- A. Balance Sheet
  - B. Trading Account
  - C. Capital Account
  - D. Cash Account

Answer: C

10. Balance Sheet shows the financial position of a business on a:
- A. Period
  - B. Month
  - C. Particular date
  - D. Year

Answer: C

11. Cash equivalents are:
- A. Long-term investments
  - B. Highly liquid short-term investments
  - C. Inventory items
  - D. Fixed assets

Answer: B

12. Which of the following is NOT an objective of internal control over cash?
- A. Safeguarding cash
  - B. Preventing errors and fraud
  - C. Maximizing profits
  - D. Ensuring accurate records

Answer: C

13. Under the imprest system of petty cash:
- A. Cash is issued daily
  - B. Petty cashier maintains full accounts
  - C. A fixed amount is reimbursed periodically
  - D. No vouchers are required

Answer: C

14. Which depreciation method charges equal depreciation every year?
- A. Reducing balance method
  - B. Straight-line method
  - C. Annuity method
  - D. Sinking fund method

Answer: B

15. Under the reducing balance method, depreciation is calculated on:
- A. Original cost
  - B. Market value
  - C. Written down value
  - D. Scrap value

Answer: C

16. Provision for doubtful debts is created to:
- A. Increase profit
  - B. Provide for future losses
  - C. Increase capital
  - D. Reduce liabilities

Answer: B

17. Reserves are generally created out of:

- A. Capital receipts
- B. Borrowed funds
- C. Profits
- D. Liabilities

Answer: C

18. Share capital issued by a company is shown under:

- A. Current liabilities
- B. Fixed assets
- C. Shareholders' funds
- D. Current assets

Answer: C

19. Amount received by a company on issue of shares is a:

- A. Revenue receipt
- B. Capital receipt
- C. Deferred income
- D. Liability

Answer: B

20. Which of the following is a corporate financial statement?

- A. Trading Account
- B. Profit and Loss Account
- C. Balance Sheet
- D. All of the above

Answer: D

21. The main purpose of regulatory reporting is to ensure:

- A. Higher profits
- B. Uniformity and transparency
- C. Cost reduction
- D. Tax avoidance

Answer: B

22. Disclosure norms in financial reporting aim at:

- A. Concealing information
- B. Providing only minimum data

- C. Providing relevant and complete information
- D. Reducing liabilities

Answer: C

23. Bank reconciliation statement is prepared to reconcile:
- A. Cash account and capital account
  - B. Bank balance as per cash book and bank statement
  - C. Profit and loss account and balance sheet
  - D. Debtors and creditors

Answer: B

24. Cheques issued but not yet presented will cause the bank balance as per pass book to be:
- A. More than cash book
  - B. Less than cash book
  - C. Equal to cash book
  - D. Nil

Answer: B

25. Which of the following is an operating activity?
- A. Purchase of machinery
  - B. Issue of shares
  - C. Cash received from customers
  - D. Sale of investments

Answer: C

26. Cash flow from investing activities includes:
- A. Payment of wages
  - B. Purchase of fixed assets
  - C. Payment of dividends
  - D. Issue of debentures

Answer: B

27. Which ratio measures the firm's ability to meet short-term obligations?
- A. Gross profit ratio
  - B. Debt-equity ratio
  - C. Current ratio
  - D. Return on capital employed

Answer: C

28. Net profit ratio is a \_\_\_\_\_ ratio.

- A. Liquidity
- B. Solvency
- C. Profitability
- D. Activity

Answer: C

29. AIS stands for:

- A. Accounting Information Standard
- B. Automated Information System
- C. Accounting Information System
- D. Account Integration Software

Answer: C

30. Computerized accounting helps in:

- A. Manual recording
- B. Increasing clerical work
- C. Faster processing and accuracy
- D. Eliminating accounting standards

Answer: C

## II. Fill in the Blanks

1. Under accrual accounting, expenses are recorded when they are \_\_\_\_\_.

Answer: incurred

2. Revenue recognition concept states that revenue should be recognized when it is \_\_\_\_\_.

Answer: earned

3. Outstanding expenses are also known as \_\_\_\_\_ expenses.

Answer: accrued

4. Prepaid expenses are shown as \_\_\_\_\_ in the Balance Sheet.

Answer: assets

5. Depreciation is a charge against \_\_\_\_\_.

Answer: profit

6. Bad debts are treated as \_\_\_\_\_ in the Profit & Loss Account.

Answer: loss

7. Trading Account is prepared before the \_\_\_\_\_ Account.

Answer: Profit and Loss

8. Closing stock appears on the \_\_\_\_\_ side of the Trading Account.

Answer: credit

9. The excess of income over expenditure is called \_\_\_\_\_.

Answer: profit

10. Capital of the proprietor is shown on the \_\_\_\_\_ side of the Balance Sheet.

Answer: liabilities

11. Cash and cash equivalents are shown under \_\_\_\_\_ assets.

Answer: current

12. Petty cash system commonly used for small expenses is the \_\_\_\_\_ system.

Answer: imprest

13. Depreciation represents a \_\_\_\_\_ in the value of fixed assets.

Answer: decrease

14. Straight-line method is also known as the \_\_\_\_\_ installment method.

Answer: equal

15. Reducing balance method is also called the \_\_\_\_\_ value method.

Answer: written down

16. Provision is a charge against \_\_\_\_\_.

Answer: profits

17. Reserve is an appropriation of \_\_\_\_\_.

Answer: profits

18. Shares issued by a company represent ownership \_\_\_\_\_.

Answer: capital

19. Equity shares carry \_\_\_\_\_ rights.

Answer: voting

20. Corporate balance sheet shows the financial position of a company on a particular \_\_\_\_\_.

Answer: date

21. Regulatory reporting is governed by accounting \_\_\_\_\_ and laws.

Answer: standards

22. Bank reconciliation statement explains the difference between cash book and \_\_\_\_\_.

Answer: bank statement

23. Cash flow from core business operations is called \_\_\_\_\_ cash flow.

Answer: operating

24. Cash flow statement is divided into \_\_\_\_\_, investing, and financing activities.

Answer: operating

25. Purchase and sale of fixed assets fall under \_\_\_\_\_ activities.

Answer: investing

26. Issue of shares and repayment of loans are \_\_\_\_\_ activities.

Answer: financing

27. Current ratio is calculated as current assets divided by \_\_\_\_\_.

Answer: current liabilities

28. Ratio analysis helps in evaluating the financial \_\_\_\_\_ of a business.

Answer: performance

29. Computerized accounting reduces human \_\_\_\_\_.

Answer: errors

30. AIS integrates accounting with \_\_\_\_\_ technology.

Answer: information

### **III. Descriptive Questions**

1. Explain the accrual concept and matching concept with examples.
2. What are adjusting entries? Explain prepaid expenses, outstanding expenses, accrued income, and depreciation.
3. Explain cash and cash equivalents and internal control over cash.
4. Explain the petty cash system under the imprest system.
5. Explain regulatory reporting requirements and disclosure norms.